MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

BSB 3314 – SEMINAR IN BANKING

(All Sections / Groups)

1 June 2016
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 3 pages (including front page) with **FOUR (4)** Questions only.

2. Answer **ALL** questions.

3. Write your answers in the Answer Booklet provided.

Question 1

(a) Cimb Bank has just submitted its Report of Condition and Report of Income to its principal supervisory agency. The bank reported net income before taxes and securities transactions of RM29 million and taxes RM8 million. If its total operating revenues were RM650 million, its total assets RM1.75 billion, and its equity capital RM170 million, determine the following for CIMB.

i) Tax management efficiency ratio.
ii) Expense control efficiency ratio.
iii) Asset management efficiency ratio.
iv) Funds management efficiency ratio.
v) Return on Equity (ROE).

(10 marks)

(b) Suppose Cimb Bank experienced a 20 percent rise in net before-tax income, with its tax obligation, operating revenues, assets, and equity unchanged. What would happen to ROE and its components? (7.5 marks)

(c) If total assets climb by 20 percent, what will happen to CIMB's efficiency ratio and ROE. (7.5 marks)

(Total: 25 marks)

Question 2

(a) In order to help fund a loan request of RM10 million for one year from one of its best customers, Maybank Bank sold negotiable Certificated Deposits (CDs) to its business customers in the amount of RM6 million at a promised annual yield of 3.50 percent and borrowed RM4 million in the Federal funds market from other banks at today's prevailing interest rate of 3.25 percent. Credit investigation and recordkeeping costs to process this loan application were an estimated RM25,000. The Credit Analysis Division recommends a minimal 1 percent risk premium on this loan and a minimal profit margin of one-fourth of a percentage point. The bank prefers using cost-plus loan pricing in this cases. What loan rate would it charge? (15 marks)

(b) Discuss the rules of Purchasing Power Parity (PPP) and the challenges of applying PPP. (10 marks)

(Total: 25 marks)

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Question 3

(a) If the Bank Negara Malaysia easing the monetary policy to stimulate economy, what will happen to the value of Ringgit in the short run and long run? (11 marks)

(b) Distinguish between debt securities and equity securities. (8 marks)

(c) You pay RM995.37 for a 48-day T-bill. It is worth RM1,000 at maturity. What is its discount rate and annualized yield? (6 marks)

(Total: 25 marks)

Question 4

(a) Discuss the threats of third-party online payment platform such as Alipay and Paypal against traditional commercial bank. (13 marks)

(b) Discuss the success factors attribute to Malaysia as one of the largest Islamic Banking Hub. (12 marks)

(Total: 25 marks)

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